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Mexico

Dried Fruit

Annual

2004

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Report Highlights:

MY 2004/05 production (August/July) is forecast at 7,500 MT and area planted at 3,000 has, figures that are approximately the same as those for MY 2003/04. Area devoted to raisins and raisin production in general has been declining in recent years, due to continued lack of water and credit availability. MY 2004/05 raisin exports are forecast at 4,300 MT, up slightly from the current marketing year. Traditionally, Mexico has been a net importer of raisins.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Required Report

Mexico [MX1]

[MX]

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SECTION I. SITUATION & OUTLOOK

PRODUCTION

Raisin production for MY 2004/05 (August/July) is forecast at 7,500 MT, up slightly from last year's revised estimate, due to expectations of improved yields. Area planted for MY 2004/05 is forecast to remain at 3,000 has, the same as in MY 2003/04, due to continued disregard of Government of Mexico (GOM) policies on water restrictions and lack of credit. If this situation continues, further decreases in area planted are expected in the forthcoming years. The overall average yield forecast for MY 2004/05 is forecast at 2.5 MT/ha, which is slightly above the previous estimate, but continues to be consistent with average yield levels. As in any year, the amount of grapes destined for raisin production is largely dependent on the price relationship between table grapes, wine, juice grapes and raisins.

Reportedly, in recent years raisin production has decreased substantially due to difficult producing conditions, such as low international prices and lack of available credit, which have limited the expansion of acreage. Another limiting factor in raisin production is water availability. The Caborca region, where most of the raisins are produced, has depleted its aquifers more than expected and producers are reprioritizing the region's entire crop production according to water availability. In addition, low quality lower-priced imported raisins from Chile have decreased Mexican growers' abilities to compete in the domestic market. Table grapes, asparagus, raisins and olives are considered the most important crops in the Caborca region. For MY 2004/05, the same water conditions are expected to prevail. Industry sources reconfirmed that the prevailing situation is forcing them to look for raisin varieties that offer better yields and quality, thereby giving producers better profits and better overall value for their raisins.

The raisin production estimate for MY 2003/04 was revised downward, due to a significant decrease in area planted. Despite this decrease, yields in 2003/04 were able to reach 2.4 MT/ha, due to the efficient use of the limited water resources and adoption of improved raisin varieties. MY 2003/04 area planted and harvested was revised downward to 3,000 has, a decrease of approximately 17 and 12 percent below the initial MY 2003/04 estimate respectively, due to the above-mentioned factors. As described above, raisin production was negatively affected by the lack of credit, low prices, low profitability, lack of water, and lower-priced Chilean raisin imports. However, in MY 2003/04, some producers installed drip irrigation systems for an efficient use of water resources thereby allowing them to increase their production capabilities. This improvement allowed them to obtain better yields despite overall acreage reduction for raisins.

According to official estimates, the cost of production in Sonora for MY 2003/04 was MXN\$25,675 per hectare (US \$2,342/ha). Production costs depend heavily on growers' cultural practices, costs of imported inputs, and water supply. Water is a major expense, accounting for approximately 19 percent of the total cost of production. Traditionally, more than 80 percent of labor for the Caborca region comes from other parts of Mexico and is spent in harvesting asparagus, table grapes, and raisins.

The MY 2002/03 production estimate as well as those for area planted and harvested were kept unchanged to reflect the most recent official data.

CONSUMPTION

Raisin consumption for MY 2004/05 is forecast at 13,800 MT, slightly 1 percent below the MY 2003/04 revised consumption estimate, due to the fact that Mexican exports continue to be stable and Mexican imports are not expected to increase significantly. Consumption estimates for MY 2003/04 were revised downward to 13,810 MT, a decrease of approximately 10 percent, due to increased exports and lower domestic supply. As a result of this short supply, MY 2003/04 domestic raisin prices increased nearly 18 percent from MY 2002/03. Despite this, domestic prices have remained relatively low compared to international prices. Consumption estimates for MY 2002/03 remain unchanged.

MY 2003/04 wholesale prices in Mexico City for the best quality raisins ranged from \$12.00 to \$20.00 pesos per kilogram (US\$1.09 to \$1.82/Kg), as compared to \$13.00 to \$15.00 pesos per kilogram of Chilean raisins (US\$1.19 to \$1.37/Kg). Industry sources stated that in the event that large volumes from Chile continue to be imported, prices for MY 2004/05 are expected to remain at MY 2003/04 levels. Bakeries and food processors remain the largest consumers of raisins. The price of unprocessed raisins for MY 2003/04 ranged from US\$ 0.43 to US\$ 0.51 per pound. For MY 2004/05, prices are expected to be between US\$ 0.53-0.73.

TRADE

Mexican raisin exports for MY 2004/05 are forecast at 4,300 MT, a slight increase over MY 2003/04 exports, due to expectations that international markets would offer better prices than the domestic market in the short term and that supplies remain available for export. The raisin export estimate for MY 2003/04 was revised upward because of increased international demand for premium quality produce. Export data for MY 2002/03 was revised downward based on official trade data. Most of Mexico's raisins are of high quality and are destined for the export market. In recent years, international prices for raisins have been relatively low, but still higher than domestic prices. International prices are expected to increase slightly in MY 2004/05.

Raisin imports for MY 2004/05 are forecast to be slightly up compared to MY 2003/04 due to good domestic demand. Raisin import estimates for MY 2003/04 were revised downward, and MY 2002/03 estimates remained unchanged based on trade data. Traders indicated that lower quality imports generally fill most of the void left by lower domestic production and raisin exports. For most Mexican consumers, quality is not a factor in determining consumption. However, quality is a factor for Mexican food processors, many of which use high-quality raisins.

In CY 2002 trade figures showed that Chilean imports had an approximate 81-percent market share in Mexico. Reportedly, low-quality Chilean imports have been increasing rapidly, competing in the Mexican market at very low prices. However, for CY 2003 official data shows that U.S. raisin imports increased about 137 percent compared to same period last year. Industry sources indicate that this growth is due to a significant increase in demand for premium-quality produce from major food processors, which import at the end of the season (April-June) when there is a shortage of high-quality domestic raisins. Most high-quality Mexican raisins are exported early in the season, due to lack of storage facilities.

MARKETING

Of the original nine raisin processing plants, only seven are currently active, due to the cutback in Sonoran raisin production. These seven processing plants continue exporting the highest-quality raisins and sell the remaining production to the domestic wholesale market. Raisins are marketed in 10 kg boxes, but the wholesaler will repackage them in one-half and

one kilogram bags, according to the customers' request. There is almost no demand for individual raisin packages in Mexico. Since there is not enough warehouse capacity to store the product throughout the year, the domestic market for raisins is usually saturated right after production time (September through October), with shortages arising later in the marketing year.

SECTION II. STATISTICAL TABLES

PS&D TABLE

PSD Table						
Country	Mexico					
Commodity	Raisins (HA) (MT)					
	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08/2002		08/2003		08/2004	
Area Planted	5100	3400	3600	3000	0	3000
Area Harvested	5100	3400	3400	3000	0	3000
Beginning Stocks	0	0	0	0	0	0
Production	13200	7140	7820	7440	0	7500
Imports	11400	11400	11000	10580	0	10600
TOTAL SUPPLY	24600	18540	18820	18020	0	18100
Exports	6000	3500	3500	4210	0	4300
Domestic Consumption	18600	15040	15320	13810	0	13800
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	24600	18540	18820	18020	0	18100

TRADE MATRIX

RAISINS H.S. 0806.20		UNITS: METRIC TONS	
EXPORT FOR CY 2002 TO:		IMPORTS FOR CY 2002 FROM:	
U.S.	3,181	U.S.	2,175
OTHER		OTHER	
GUATEMALA	259	CHILE	9,139
HONDURAS	54	SOUTH AFRICA	2
TOTAL OF OTHER	313	TOTAL OF OTHER	9,141
OTHER NOT LISTED	35	OTHER NOT LISTED	1
GRAND TOTAL	3,529	GRAND TOTAL	11,317

RAISINS H.S. 0806.20		UNITS: METRIC TONS	
EXPORT FOR CY 2003 TO:		IMPORTS FOR CY 2003 FROM:	
U.S.	3,903	U.S.	5,163
OTHER		OTHER	
GUATEMALA	270	CHILE	5,477
CHILE	42	CHINA	2
TOTAL OF OTHER	312	TOTAL OF OTHER	5,479
OTHER NOT LISTED	41	OTHER NOT LISTED	2
GRAND TOTAL	4,256	GRAND TOTAL	10,644

Source: Global Trade Information, World Trade Atlas, Mexico Edition, December 2003